

Raytheon

Customer Success Is Our Mission

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Innovation. In all domains.

Mature CMS Program at Raytheon

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Discussion Agenda

- Raytheon CMS Background
- Program Metrics and Progress over 10 years
- Drivers for a Mature CMS Program
- Benefits to Date
- Continuing Challenges
- Communication
- Supplier Relationship
- Future Considerations
- Q&A

Raytheon CMS Program Background

- **Initiated CMP program in 1998**
 - Goal to reduce the cost & usage of chemicals
 - Key challenge was to structure incentives for supplier to help us

- **Participation by over 45 sites across US**
 - Manage over 20,000 chemicals and 1,000 waste profiles

- **Multiple commodity approach**
 - Chemicals, industrial gases, hazardous waste
 - 95% of Raytheon U.S. chemical spend
 - Contract includes supplier gain share incentives
 - Leveraged cost savings
 - Efficiency improvements

- **Renewed program contract since inception**
 - Consistently challenged to add incremental value

CMS Program Metrics Progress Over 10 years

- Monthly Metrics Review
 - Quality
 - Service
 - Financial
 - Chemical and Gas Cost Reduction
 - Commodity Spend
 - On Time Delivery Performance

- Annual Review of Metric Target Goals

- Year 10 of Program
 - Bar continues to move up since the inception of the program
 - Difficult to stretch the performance goal beyond 100%
 - No room for error, tight metrics

Drivers for a Mature CMS Program

- CMS Program embraced by Business Operations, become one company despite multiple cultures, procedures and systems.
- Reduction of repetitive buying transactions, diverse and large supply base.
- E-Procurement and Electronic Invoicing
- EHS endorsed initiative, customized on-line EHS chemical data for compliance and reporting

Drivers for a Mature CMS Program- cont.

- Online access to all employees for MSDS
- Online inventory visibility with lot numbers, expiration dates, lead times
- Material Usage, Tracking and Forecasting by Work Area, Facility, Division and Corporation
- Lifetime material traceability

Benefits to Date

- **Maintain or exceed current quality standards**
 - Not every site has the same quality standards (Different divisions, different standards)
 - Have to adapt to customer quality standards and requirements.
 - Current Quality metric averaging over 99.97%

- **Shorten cycle times**
 - Able to setup M/M for next day delivery, with a 97% on-time delivery
 - Incoming inspection/testing
 - Catalog Maintenance/Part number consolidation

- **Reduce Raytheon Total Cost of Chemicals**
 - Sharing of min buy materials
 - Right sizing of chemicals
 - Off site inventory and JIT delivery

Benefits to Date – Cont.

- Reduce Raytheon risks and liability
 - Minimal material on site at any one time (Only what is needed to perform the job)
 - Maintenance of MSDS sheets

- Provide a simplified procurement process
 - Supply base consolidated into a single first-tier provider
 - Volume Leveraging
 - Historical Raytheon material forecasts support strategic buying

- Streamline procedures
 - Changed of chemical delivery
 - Technology transfer for chemical process modification
 - Participate in customer-supplier R6Sigma initiatives

Continuing Challenges

- Ensuring customer requirements are satisfied
- Building and maintaining relationships with suppliers
- Supporting product availability and manufacturing floor schedule requirements
- Supporting shorter material lead time requirements
- Improving and monitoring a Supplier Rating System
- Streamlining CMS inventory reports / information delivery

Communication

- Importance of open and frequent communications
 - Chemical Management Services (CMS) Supplier
 - Supplier – Chemical & Gas Management Program (CGMP) Team Members
 - Key Customers – CMS Company – Sub-Tier Suppliers

- Internal CGMP Stakeholder Team

- Challenge to communicate program benefits to smaller locations and breaking the thought process from the “Old Way”

Provide immediate and constant feedback

Supplier Relationship

- Collaborative Ties
 - Develop and hold supplier/customer round table discussion.
 - Understand trends in market place and what drives material availability

- Buyer – Supplier relationships
 - Geographic regions aligned with buyer/expeditor team
 - Buyer working directly with site operations to determine demand and forecasting

- Movement from transactional to highly strategic
 - CMS vertically integrated in the operations processes
 - Becoming a true partner in supporting the Raytheon customers

Co-operative attitudes support teamwork

Considerations

- Do current service levels provide best options for a particular business location?
- Are the metrics in place meaningful after 10 years?
- Green initiatives that can be implemented within the CMS supply chain?
- Can CMS Service Provider engage Sub-Tier suppliers, chemical industry trade associations to identify chemical supply chain shortages or obsolescence issues?

Challenge the program and process to support continuous improvement

Questions

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